

Financial Statements with Report of Independent Auditors Thereon

New Door Ventures

For the Years Ended
December 31, 2016 and 2015



SD MAYER & ASSOCIATES, LLP

ACCOUNTING | TAX | CONSULTING | WEALTH MANAGEMENT

NEW DOOR VENTURES

FINANCIAL STATEMENTS

For the years ended December 31, 2016 and 2015

With Report of Independent Auditors

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REPORT OF INDEPENDENT AUDITORS

To the Board of Directors of
New Door Ventures
San Francisco, California

We have audited the accompanying financial statements of New Door Ventures (a nonprofit organization), which comprise the statements of financial position as of December 31, 2016 and 2015, and the related statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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INDEPENDENT AUDITORS' REPORT - Continued

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of New Door Ventures as of December 31, 2016 and 2015, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

San Francisco, California

SD Mayer & Associates, LLP

June 13, 2017

New Door Ventures
Statements of Financial Position
As of December 31, 2016 and 2015

	2016	2015
ASSETS		
Assets:		
Cash and cash equivalents	\$ 2,811,942	\$ 2,891,927
Investments, at fair value	1,924,014	1,913,614
Accounts receivable, net	176,245	195,210
Contracts and grants receivable	124,242	105,480
Unconditional promises to give, net	30,000	283,502
Inventory, net	258,998	271,429
Prepaid expenses and other assets	309,763	273,069
Deposits	5,495	5,495
Property and equipment, net of accumulated depreciation and amortization	6,001,265	6,231,838
Intangible assets, net of accumulated amortization	-	33,086
Total Assets	\$ 11,641,964	\$ 12,204,650
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued expenses	\$ 391,528	\$ 459,765
Long-Term Debt	1,933,359	1,978,139
Total Liabilities	2,324,887	2,437,904
Net Assets:		
Unrestricted	9,092,077	9,200,746
Temporarily restricted	225,000	566,000
Total Net Assets	9,317,077	9,766,746
Total Liabilities and Net Assets	\$ 11,641,964	\$ 12,204,650

The accompanying notes are an integral part of these financial statements.

New Door Ventures
Statement of Activities
For the year ended December 31, 2016

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Revenue:			
Service revenue	\$ 2,980,706	\$ -	\$ 2,980,706
Government contracts	483,168	-	483,168
Investment income	14,191	-	14,191
Fundraising event, net of costs	17,278	-	17,278
Other income (expense)	(507)	-	(507)
Support:			
Contributions	1,607,215	87,500	1,694,715
In-Kind Donations	117,391	-	117,391
Foundation grants	844,548	-	844,548
Net assets released from restrictions	428,500	(428,500)	-
Total Revenue and Support	6,492,490	(341,000)	6,151,490
Expenses:			
Program Services:			
Ashbury images	2,637,560	-	2,637,560
Pedal revolution	940,356	-	940,356
Tech door	-	-	-
Youth development	1,865,882	-	1,865,882
Total Program Services	5,443,798	-	5,443,798
Supporting Services:			
Fundraising	721,134	-	721,134
General and administrative	436,227	-	436,227
Total Supporting Services	1,157,361	-	1,157,361
Total Expenses	6,601,159	-	6,601,159
Changes in Net Assets	(108,669)	(341,000)	(449,669)
Net Assets, beginning of year	9,200,746	566,000	9,766,746
Net Assets, end of year	\$ 9,092,077	\$ 225,000	\$ 9,317,077

The accompanying notes are an integral part of these financial statements.

New Door Ventures
Statement of Activities
For the year ended December 31, 2015

	Unrestricted	Temporarily Restricted	Total
Revenue and Support:			
Revenue:			
Service revenue	\$ 2,910,197	\$ -	\$ 2,910,197
Government contracts	493,710	-	493,710
Investment income (expense)	(57)	-	(57)
Fundraising event, net of costs	16,912	-	16,912
Other income (expense)	(5,331)	-	(5,331)
Support:			
Contributions	819,923	646,852	1,466,775
In-Kind Donations	67,760	-	67,760
Foundation grants	711,996	-	711,996
Net assets released from restrictions	989,745	(989,745)	-
Total Revenue and Support	<u>6,004,855</u>	<u>(342,893)</u>	<u>5,661,962</u>
Expenses:			
Program Services:			
Ashbury images	2,322,940	-	2,322,940
Pedal revolution	873,579	-	873,579
Tech Door	122,222	-	122,222
Youth development	1,710,925	-	1,710,925
Total Program Services	<u>5,029,666</u>	<u>-</u>	<u>5,029,666</u>
Supporting Services:			
Fundraising	720,279	-	720,279
General and administrative	483,766	-	483,766
Total Supporting Services	<u>1,204,045</u>	<u>-</u>	<u>1,204,045</u>
Total Expenses	<u>6,233,711</u>	<u>-</u>	<u>6,233,711</u>
Changes in Net Assets	(228,856)	(342,893)	(571,749)
Net Assets, beginning of year	<u>9,429,602</u>	<u>908,893</u>	<u>10,338,495</u>
Net Assets, end of year	<u>\$ 9,200,746</u>	<u>\$ 566,000</u>	<u>\$ 9,766,746</u>

The accompanying notes are an integral part of these financial statements.

New Door Ventures
Statements of Cash Flows
For the years ended December 31, 2016 and 2015

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES:		
Changes in Net Assets	\$ (449,669)	\$ (571,749)
Non-cash Items:		
Depreciation and amortization	279,785	262,520
Unrealized gain on investments	(560)	(1,814)
Stock donation	(42,241)	(32,297)
Amortization of discount on promises to give	-	(23,316)
(Increase) decrease in operating assets:		
Contracts and grants receivable	(18,762)	24,932
Accounts receivable	18,965	34,769
Unconditional promises to give, net	253,502	485,745
Inventory	12,431	(30,458)
Prepaid expenses and other assets	(36,694)	1,841
Deposits	-	(855)
Increase (decrease) in operating liabilities:		
Accounts payable and accrued expenses	(68,242)	(25,891)
Net cash provided by (used in) operating activities	(51,485)	123,427
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(16,121)	(71,157)
Proceeds from sale of investments	32,401	14,055
Net cash provided by (used in) investing activities	16,280	(57,102)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayment of long-term debt	(44,780)	(43,616)
Net cash used in financing activities	(44,780)	(43,616)
Net increase (decrease) in cash and cash equivalents	(79,985)	22,709
Cash and cash equivalents, beginning of year	2,891,927	2,869,218
Cash and cash equivalents, end of year	\$ 2,811,942	\$ 2,891,927
Supplementary disclosure of cash flow information:		
Cash paid during the year for interest	\$ 59,114	\$ 60,279
Non-cash donations	\$ 117,391	\$ 67,760

The accompanying notes are an integral part of these financial statements.

New Door Ventures
Statement of Functional Expenses
For the year ended December 31, 2016

	<u>Program Services</u>				<u>Total Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Ashbury Images</u>	<u>Pedal Revolution</u>	<u>Tech Door</u>	<u>Youth Development</u>		<u>Fundraising</u>	<u>General and Administrative</u>		
Personnel	\$ 846,416	\$ 346,824	\$ -	\$ 1,155,771	\$ 2,349,011	\$ 433,233	\$ 252,819	\$ 686,052	\$ 3,035,063
Employer payroll taxes	58,167	20,067	-	84,150	162,384	29,104	17,139	46,243	208,627
Employee benefits	88,108	34,382	-	112,367	234,857	43,018	48,675	91,693	326,550
Bad debt	636	-	-	-	636	-	-	-	636
Conferences	-	-	-	-	-	211	70	281	281
Consultants and outside services	23,686	8,738	-	54,467	86,891	84,634	34,926	119,560	206,451
Depreciation and amortization	126,913	14,942	-	106,622	248,477	15,654	15,654	31,308	279,785
Equipment/repairs	6,760	9	-	6,566	13,335	2,319	867	3,186	16,521
Fees and dues	34,113	19,048	-	6,382	59,543	4,839	9,662	14,501	74,044
Insurance	63,436	19,237	-	33,203	115,876	9,907	4,369	14,276	130,152
Interest	-	-	-	51,293	51,293	-	7,821	7,821	59,114
Maintenance/utilities	56,138	35,612	-	32,810	124,560	6,502	6,254	12,756	137,316
Miscellaneous	11,094	6,500	-	13,280	30,874	6,338	1,649	7,987	38,861
Occupancy	66,362	-	-	-	66,362	-	-	-	66,362
Office supplies	11,887	844	-	15,343	28,074	3,489	1,761	5,250	33,324
Outreach and promotions	36,860	2,069	-	1,901	40,830	63,635	1,677	65,312	106,142
Postage and shipping	47,633	5,631	-	806	54,070	2,371	309	2,680	56,750
Printing and copying	-	45	-	-	45	-	-	-	45
Program cost of goods sold	1,148,776	417,933	-	-	1,566,709	-	-	-	1,566,709
Program supplies	-	-	-	92,409	92,409	172	126	298	92,707
Staff and board	921	2,132	-	6,929	9,982	7,743	21,175	28,918	38,900
Telephone	8,309	5,949	-	16,466	30,724	3,095	2,698	5,793	36,517
Transportation	1,345	394	-	75,117	76,856	4,870	8,576	13,446	90,302
Total Expenses	<u>\$ 2,637,560</u>	<u>\$ 940,356</u>	<u>\$ -</u>	<u>\$ 1,865,882</u>	<u>\$ 5,443,798</u>	<u>\$ 721,134</u>	<u>\$ 436,227</u>	<u>\$ 1,157,361</u>	<u>\$ 6,601,159</u>

The accompanying notes are an integral part of these financial statements.

New Door Ventures
Statement of Functional Expenses
For the year ended December 31, 2015

	<u>Program Services</u>				<u>Total Program Services</u>	<u>Supporting Services</u>		<u>Total Supporting Services</u>	<u>Total Expenses</u>
	<u>Ashbury Images</u>	<u>Pedal Revolution</u>	<u>Tech Door</u>	<u>Youth Development</u>		<u>Fundraising</u>	<u>General and Administrative</u>		
Personnel	\$ 753,516	\$ 309,343	\$ 89,513	\$ 1,079,332	\$ 2,231,704	\$ 417,587	\$ 201,901	\$ 619,488	\$ 2,851,192
Employer payroll taxes	60,236	18,856	5,259	77,642	161,993	26,743	15,953	42,696	204,689
Employee benefits	105,218	29,917	6,421	106,082	247,638	39,371	52,517	91,888	339,526
Conferences	-	-	137	155	292	15	4,553	4,568	4,860
Consultants and outside services	21,382	9,527	2,771	36,159	69,839	146,848	124,014	270,862	340,701
Depreciation and amortization	117,821	13,280	4,039	91,841	226,981	10,204	25,335	35,539	262,520
Equipment/repairs	8,522	587	2,262	6,930	18,301	2,175	707	2,882	21,183
Fees and dues	29,788	21,490	-	549	51,827	4,194	8,269	12,463	64,290
Insurance	52,998	16,801	1,520	28,306	99,625	8,213	4,876	13,089	112,714
Interest	-	-	4,266	51,213	55,479	-	4,800	4,800	60,279
Maintenance/utilities	49,938	16,514	2,030	27,150	95,632	3,795	3,613	7,408	103,040
Miscellaneous	12,362	4,353	-	12,063	28,778	1,293	1,293	2,586	31,364
Occupancy	66,362	-	-	-	66,362	-	-	-	66,362
Office supplies	9,395	1,815	23	16,599	27,832	3,728	12,335	16,063	43,895
Outreach and promotions	6,132	629	61	2,902	9,724	42,742	219	42,961	52,685
Postage and shipping	55,835	5,003	11	368	61,217	1,992	514	2,506	63,723
Printing and copying	-	-	-	-	-	280	-	280	280
Program cost of goods sold	958,281	417,843	-	-	1,376,124	-	-	-	1,376,124
Program supplies	-	-	306	61,529	61,835	862	1,380	2,242	64,077
Staff and board	2,150	4,415	701	17,502	24,768	3,540	11,516	15,056	39,824
Telephone	9,426	2,325	811	15,148	27,710	3,259	2,664	5,923	33,633
Transportation	3,578	881	2,091	79,455	86,005	3,438	7,307	10,745	96,750
Total Expenses	\$ 2,322,940	\$ 873,579	\$ 122,222	\$ 1,710,925	\$ 5,029,666	\$ 720,279	\$ 483,766	\$ 1,204,045	\$ 6,233,711

The accompanying notes are an integral part of these financial statements.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2016 and 2015

NOTE 1 – ORGANIZATION

Founded in 1981, New Door Ventures is a 501(C)(3) tax-exempt organization located in the Mission District of San Francisco. New Door Ventures prepares disconnected youth for work and life by providing training in work and life-skills, educational support, individualized case management, and meaningful paid jobs that enable youth to discover and achieve their potential.

In San Francisco, there are approximately 8,000 (16 to 24-year-olds) who are disconnected from employment, education and the social supports needed for a successful transition to adulthood. Without intervention, these young people are at risk for a number of negative outcomes, including substantial periods of unemployment, homelessness, involvement with the criminal justice system, and poverty.

At New Door Ventures, these youth find an opportunity to change the trajectory of their lives. Youth interns receive specialized training at their respective job sites, and support in pursuing further education and a healthy and responsible lifestyle. New Door Ventures employs youth interns at one of two financially sustainable social enterprises or at any of the 60+ partner businesses and organizations in and around San Francisco. The New Door Ventures high school equivalency program provides individual and small-group instruction to support young people in passing one of several high school equivalency tests, so that they can pursue post-secondary education and training.

The work of New Door Ventures is integral to empowering and transforming the lives of young people, aiming to transform individuals who will in turn transform their communities. New Door Ventures invests with the goal that 85%+ of its graduates will go on to further education and/or mainstream jobs. For additional information, visit www.newdoor.org.

New Door Ventures social enterprises and programs include the following:

Youth Development helps at-risk youth prepare for work and life so they can discover and use their potential as they successfully transition to adulthood. The program combines the practical work experience, job training and deep individual support that enable transitional-aged youth to identify their strengths and abilities, apply them in real-work settings, learn teamwork, accountability and healthy behaviors, and experience the power of being positive, productive members of their communities. In addition to training and support from New Door Ventures staff, youth gain work experience at Ashbury Images, Pedal Revolution or one of over 60 businesses and organizations that partner with New Door to provide opportunities for work experience. New Door's education team also supports young people who have dropped out of high school in achieving a high school equivalency certificate, so that they can pursue post-secondary training and education. Through a program of group instruction and individual educational and personal support, youth prepare for and complete one of several tests of high school equivalency.

Ashbury Images offers quality custom screen printed and embroidered apparel and promotional products to various companies, nonprofit organizations and schools. Interns employed at Ashbury Images gain real-life production skills in a rigorous, yet encouraging training environment. www.ashburyimages.org.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2016 and 2015

NOTE 1 – ORGANIZATION (continued)

Pedal Revolution is a full service retail sales and repair bicycle shop located in San Francisco's Mission District. Pedal Revolution provides disconnected youth with paid internships working with professional mechanic and sales staff, in which they receive hands-on training in work and life skills. www.pedalrevolution.org.

Tech Door is a social enterprise solution that served both youth clients and business customers in the market for online staffing. Tech Door partnered with a market-leading online workforce platform that enabled youth participants to engage in relevant, ongoing work in an online environment for customers of all sizes. Tech Door was a pilot program, it was evaluated for efficacy and sustainability and management decided to close the program effective June 2015.

These financial statements include the assets, liabilities, net assets and activities of New Door Ventures, Ashbury Images, Pedal Revolution, and Tech Door (collectively referred to as “New Door Ventures” or the “Organization”). All significant intracompany transactions and balances have been eliminated.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements follows:

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America. Net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, the net assets of New Door Ventures and changes therein are classified and reported as follows:

Unrestricted Net Assets – Net assets that are not subject to donor-imposed restrictions or otherwise limited by contractual arrangements with outside parties, but may be designated for specific purposes by action of the Board of Directors.

Temporarily Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that can be fulfilled either by actions of the Organization pursuant to those stipulations and/or expire with the passage of time.

Permanently Restricted Net Assets – Net assets that are subject to donor-imposed restrictions that the Organization must maintain. Generally, the donors of these assets permit the Organization to use all or part of the income earned on related investments for general or specific purposes. At December 31, 2016 and 2015 the Organization had no permanently restricted net assets.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues are reported as increases in unrestricted net assets unless the use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in unrestricted net assets. Expirations of temporary restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the applicable classes of net assets. Donor restricted revenues whose restrictions are met in the same period are reported as increases to unrestricted net assets.

Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, cash and cash equivalents are defined as demand deposits at banks and certificates of deposit with initial maturities of less than ninety days. Cash and cash equivalents include certificates of deposit amounting to \$510,162 and \$10,158 at December 31, 2016 and 2015, respectively.

Investments

Investments are carried at fair value. Investment return consists of investment income, realized gain (loss) and unrealized gain (loss). Realized and unrealized gain or loss on investments is reflected in the statements of activities.

Contributions

Contribution revenue is recognized when the donor makes a promise to give that is, in substance, unconditional. Grant revenue is recognized as earned and expenses are recognized as incurred. Contributions of assets other than cash are recorded at fair value at the date of donation. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restriction expires in the year in which the contributions are recognized. All other donor-restricted contributions are reported as increases in temporarily or permanently restricted net assets, depending on the nature of the restriction. When a restriction expires or a condition is satisfied, temporarily restricted net assets are reclassified to unrestricted net assets. All unconditional promises to give, which are expected to be received beyond one year, are discounted to their net present value. All grants and contracts receivable at December 31, 2016 and 2015 are considered fully collectable.

Donated Goods and Services

Contributions of donated non-cash assets are recorded at fair value in the period received. Donated services are recognized as contributions, if the services (a) create or enhance non-financial assets or (b) require specialized skills, are performed by people with those skills, and would otherwise be purchased by the Organization.

A number of organizations have made contributions of non-cash assets, professional services, and facilities during 2016 and 2015. The value of these contributions is recorded in the accompanying financial statements because the criteria for recognition have been satisfied. New Door Ventures recorded \$117,391 and \$67,760 of non-cash contributions in the accompanying financial statements for the years ended December 31, 2016 and 2015, respectively. A number of volunteers have made contributions of their time to the Organization. The value of this contributed time is not recorded in the accompanying financial statements because the criteria for recognition have not been satisfied.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Reclassifications

Certain amounts in the prior year presented have been reclassified to conform to the current year financial statement presentation. These reclassifications have no effect on previously reported changes in net assets or results of operations.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities. Costs are allocated between fund-raising, general and administrative and the appropriate program based on management's evaluation of the related benefits. General and administrative expenses include those expenses that are not directly identifiable with any other specific function but provide for the overall support and direction of the Organization. Fund-raising expenses are associated with encouraging donations from the general public and with events held by the Organization.

Inventories

Inventory is comprised of bicycles and their accessories and printing materials. Inventories are stated at the lower of cost or market. Cost is determined using the first-in, first-out (FIFO) method.

Accounts Receivable

Accounts receivable amounted to \$176,245 and \$195,210 at December 31, 2016 and 2015, respectively. The allowance for doubtful accounts is based on management's evaluation of outstanding accounts receivable at the end of the year. Allowance for doubtful accounts amounted to \$5,136 at December 31, 2016 and 2015. Balances that remain outstanding after the Organization has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable.

Compensated Absences

The Organization accrues a liability for vested vacations to which employees are entitled depending on the length of service and other factors. The accompanying financial statements include accrued vacation benefits of \$116,166 and \$102,462 as of December 31, 2016 and 2015, respectively.

Fair Value of Financial Instruments

The fair value of the Organization's financial instruments reflects the amounts that the Organization expects to receive in connection with the sale of an asset or pay in connection with the transfer of a liability in an orderly transaction between market participants at the measurement date (exit price). Generally Accepted Accounting Principles also established a fair value hierarchy that prioritizes the use of inputs used in valuation techniques into the following three levels:

Level 1 – Quoted prices in active markets for identical assets or liabilities that the entity has the ability to access.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value of Financial Instruments (continued)

Level 2 – Observable inputs other than prices included in Level 1, such as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; or other inputs that are observable or can be corroborated with observable market data.

Level 3 – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets and liabilities. This includes certain pricing models, discounted cash flow methodologies, and similar techniques that use significant unobservable inputs.

The carrying value of certain financial instruments, including cash and cash equivalents, certificates of deposit, accounts and grants receivable, accounts payable and accrued expenses approximate fair value due to their short-term nature. The carrying value of long-term debt approximates fair value, as the interest rates approximate market rates.

Advertising Costs

Advertising costs are expensed as incurred and amounted to \$680 and \$1,199 in 2016 and 2015, respectively.

Property and Equipment

Property and equipment purchased is recorded at cost. Assets acquired by contribution or bequest are stated at estimated fair value at the date of acquisition. Depreciation is provided using the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements is computed using the straight-line method over the shorter of the remaining lease term or the estimated useful lives of the improvements. Maintenance and repairs are charged to expense as incurred. Expenditures that increase the value or productive capacity of assets are capitalized. When property and equipment are retired, sold, or otherwise disposed of, the asset's carrying amount and related depreciation are removed from the accounts and any gain or loss is included in operations. The Organization capitalizes all property and equipment acquisitions in excess of \$2,000.

The estimated useful lives of property and equipment are principally as follows:

Buildings and improvements	10-39 years/term of lease (for rented properties)
Office/production equipment	2-10 years
Furniture and fixtures	3-10 years

The Organization's management reviews long-lived tangible and intangible assets with definite lives for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of these assets is measured by comparison of its carrying amount to future undiscounted cash flows the assets are expected to generate.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Property and Equipment (continued)

The Organization considers historical performance and future estimated results in its evaluation of impairment. No impairment has been realized or recorded for the years ended December 31, 2016 and 2015.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates include the collectability of grants and accounts receivable, useful lives for determining depreciation of fixed assets, valuation of investments, donated goods and services, accrued expenses, and the allocation of functional expenses.

Revenue Recognition

Revenues on product sales are recognized upon shipment and receipt of payment is reasonably assured. Revenues on repair and installation services are recognized when the services are completed.

Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (“FASB”) issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“Accounting Standards Update (“ASU”) 2014-09”). This comprehensive new revenue recognition standard will supersede nearly all existing revenue recognition guidance under GAAP. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under currently applicable guidance including identifying performance obligations in the contract, estimating the amount of variable consideration to include in the transaction price and allocating the transaction price to each separate performance obligation. ASU 2014-09 was effective for annual and interim periods beginning after December 15, 2017 (for non-public companies) and permitted the use of either the retrospective or cumulative effect transition method. ASU No. 2015-14 amended the effective date to December 15, 2018 (for non-public companies) and permits early adoption only for reporting periods beginning after December 15, 2017. The Organization is currently assessing the potential impact of ASU 2014-09 on its financial condition and results of operations.

In August 2014, the FASB issued ASU 2014-15, “Presentation of Financial Statements - Going Concern (Subtopic 205-40): Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern”. This update requires management to evaluate whether there is substantial doubt about the entity’s ability to continue as a going concern. This update is effective for the annual period ending after December 15, 2016, and for annual and interim periods thereafter. Early adoption is permitted. The Organization is currently evaluating the effect of the standard but its adoption is not expected to have an impact on its financial condition and results of operations.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

In February 2016, the FASB issued an accounting pronouncement (FASB ASU 2016-02) related to the accounting for leases. This pronouncement requires lessees to record most leases on their balance sheet, while expense recognition on the income statement remains similar to current lease accounting guidance. The guidance also eliminates real estate-specific provisions and modifies certain aspects of lessor accounting. Under the new guidance, lease classification as either a finance lease or an operating lease will determine how lease-related revenue and expense are recognized. Lessees (for capital and operating leases) and lessors (for sales-type, direct financing, and operating leases) must apply a modified retrospective transition approach for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements. The modified retrospective approach would not require any transition accounting for leases that expired before the earliest comparative period presented. Lessees and lessors may not apply a full retrospective transition approach. Nonpublic business entities should apply the amendments for fiscal years beginning after December 15, 2019 (i.e., January 1, 2020, for a calendar year entity), and interim periods within fiscal years beginning after December 15, 2020. Early application is permitted. The Organization is currently evaluating the effect of ASU 2016-02 on its financial statements.

In August 2016, the FASB issued ASU 2016-14, *Not-for-Profit Entities (Topic 958): Presentation of Financial Statements of Not-for-Profit Entities*. The amendments in this update make improvements to the information provided in financial statements and accompanying notes of not-for-profit entities. The amendments set forth the FASB's improvements to net asset classification requirements and the information presented about a not-for-profit entity's liquidity, financial performance, and cash flows. The amendments in the update are effective for annual financial statements issued for fiscal years beginning after December 15, 2017 with early application permitted. Amendments should be applied on a retrospective basis in the year the update is first applied. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*. The amendments in this update address diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. The amendments require that a statement of cash flows explain the change during the period in the total cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. The amendments in the update are effective for fiscal years beginning after December 15, 2019 with early application permitted. The Organization is currently evaluating the impact of this pronouncement on its financial statements.

NOTE 3 – INVENTORY

Inventory, which is primarily composed of bicycles, accessories and parts, and screen printing materials, amounted to \$258,998 and \$271,429 at December 31, 2016 and 2015, respectively. Reserves for obsolescence amounted to \$0 at December 31, 2016 and 2015.

New Door Ventures
Notes to Financial Statements
For the years ended December 31, 2016 and 2015

NOTE 4 – INVESTMENTS

Investments consist primarily of a certificate of deposit with initial maturity of greater than 90 days and are stated at fair value. The balance of this certificate of deposit was \$1,924,014 and \$1,913,614 at December 31, 2016 and 2015, respectively.

The following table represents New Door Ventures' fair value hierarchy for its financial assets measured at fair value using available quoted prices as of December 31, 2016:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ -	\$ 1,896,357	\$ -	\$ 1,896,357
Cash	27,657	-	-	27,657
Total	<u>\$ 27,657</u>	<u>\$ 1,896,357</u>	<u>\$ -</u>	<u>\$ 1,924,014</u>

The following table represents New Door Ventures' fair value hierarchy for its financial assets measured at fair value using available quoted prices as of December 31, 2015:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Certificates of Deposit	\$ -	\$ 1,895,193	\$ -	\$ 1,895,193
Equity Securities	18,421	-	-	18,421
Total	<u>\$ 18,421</u>	<u>\$ 1,895,193</u>	<u>\$ -</u>	<u>\$ 1,913,614</u>

Net appreciation amounted to \$560 and \$1,814 at December 31, 2016 and 2015, respectively. Interest and dividend income (expenses) amounted to \$14,191 and \$(57) for years ended December 31, 2016 and 2015, respectively.

NOTE 5 – PROPERTY AND EQUIPMENT

The following is a summary of property and equipment; at cost less accumulated depreciation, at December 31:

	<u>2016</u>	<u>2015</u>
Land and buildings	\$ 4,563,413	\$ 4,563,413
Improvements	2,120,786	2,124,390
Furniture and fixtures	181,115	77,547
Office/production equipment	409,488	522,793
	<u>7,274,802</u>	<u>7,288,143</u>
Less: accumulated depreciation	<u>(1,273,537)</u>	<u>(1,056,305)</u>
Total	<u>\$ 6,001,265</u>	<u>\$ 6,231,838</u>

Depreciation of property and equipment, including property and equipment held under capital lease, amounted to \$246,699 and \$229,433 for the years ended at December 31, 2016 and 2015, respectively.

New Door Ventures
Notes to Financial Statements
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NOTE 5 – PROPERTY AND EQUIPMENT (continued)

Property and equipment held under capital lease had a capitalized cost of \$154,771. At December 31, 2016 accumulated depreciation and net book value amounted to approximately \$147,032 and \$7,739, respectively. At December 31, 2015 accumulated depreciation and net book value of the capitalized leased property amounted to approximately \$131,555 and \$23,216, respectively.

NOTE 6 – INTANGIBLE ASSET

In July 2013, the Organization acquired certain assets and liabilities of Marqué Press, LLC, including a list of Marqué’s customers. Estimated value of the customer list acquired was based on future expected revenues from the client list. Management estimates that the client list has a useful life of approximately three years, beginning January 1, 2014.

	2016	2015
Customer list	\$ 99,260	\$ 99,260
Less accumulated amortization	(99,260)	(66,174)
Net value of customer list	\$ -	\$ 33,086

The Organization recorded \$33,086 of amortization expense during the years ended December 31, 2016 and 2015.

NOTE 7 – UNCONDITIONAL PROMISES TO GIVE

New Door Ventures records unconditional promises to give from foundations and individuals at their net present value, net of allowance for doubtful amounts and discount. Discount rate was 6.00% at December 31, 2016 and 2015.

Unconditional promises to give are expected to be received as follows as of December 31:

	2016	2015
Promises to give in less than one year	\$ 30,000	\$ 194,500
Promises to give in one to five years	-	100,000
Total promises to give	30,000	294,500
Less unamortized discount	-	(10,998)
Net promises to give	\$ 30,000	\$ 283,502

NOTE 8 – CONCENTRATIONS

The Organization maintains its cash balances at various financial institutions. The Federal Deposit Insurance Corporation (FDIC) insures account balances up to \$250,000. The Organization had uninsured balances of \$1,743,206 and \$1,833,625 at December 31, 2016 and 2015, respectively.

In 2016, the four largest customers of AIM accounted for 46% of its total accounts receivable. In 2015, the three largest customers of AIM accounted for 35% of its total accounts receivable. In 2016, no customer of AIM accounted for over 10% of its total service revenue. In 2015, one AIM customer accounted for 16% of its total service revenue.

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Notes to Financial Statements
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NOTE 9 – LEASE COMMITMENTS

On January 8, 2016, the Organization signed an extension to its existing lease for its Ashbury Images manufacturing and retail enterprise space in San Francisco, which expired on December 31, 2016. The lease extension is an additional five years commencing on January 1, 2017 and ending on December 31, 2021. The lease extension requires monthly payments of \$12,485 beginning in 2017 with the monthly payments increasing by around 3% each year thereafter until expiration. Rent expense under the existing lease agreement amounted to \$66,362 for each of the years ended December 31, 2016 and 2015.

Future minimum lease payments under the new operating lease agreement as of December 31, 2016 are as follows:

<u>Years End December 31:</u>	
2017	\$ 149,820
2018	154,315
2019	158,944
2020	163,712
2021	168,624
Total	<u>\$ 795,415</u>

NOTE 10 – CONTINGENCIES

A former employee of the Organization has filed a workers' compensation claim related to injuries allegedly incurred while performing his/her daily duties at the time of his/her employment at Ashbury Images. The Organization's workers' compensation insurer is disputing the claim. In addition to the workers' compensation claim, the employee is alleging that Ashbury Images violated a State safety regulation. As of December 31, 2016, the Organization has not recorded a provision for this matter as management is vigorously defending against this claim. The Organization believes that any liability it may incur would not have a material adverse effect on its financial condition or its results of operations.

NOTE 11 – PENSION PLAN

The Organization has a 403(b) deferred compensation plan covering eligible employees who meet certain criteria as defined in the Plan. The Organization may make a matching contribution up to 100% of employee's elective deferrals but not exceeding 4% of the employee's compensation. The Organization contributed \$57,511 and \$50,944 during the years ended December 31, 2016 and 2015, respectively.

NOTE 12 – LONG-TERM DEBT

Long-term debt consists of a note payable (the note) to the Bank of Marin secured by real property at 3221 20th Street, San Francisco, bearing interest at 2.97% per annum through September 2020, after which the interest rate will be adjusted to 66% of the sum of (a) the then-current 3-year treasury constant maturity rate plus (b) 2.39%; provided that in no event shall the adjusted interest rate be less than 2.97%.

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NOTE 12 – LONG-TERM DEBT (continued)

The note is payable in monthly installments of \$8,658 including principal and interest, and due in April 2044. The note balance was \$1,933,359 and \$1,978,139 at December 31, 2016 and 2015, respectively.

The debt agreement with the bank contains certain financial covenants that require a minimum debt service coverage ratio of 1.35 to 1.00. In the event that there is a risk of noncompliance with the financial covenants, the Organization and the bank will collectively determine the best plan to remediate any such noncompliance.

Interest expense amounted to \$59,114 and \$60,279 during 2016 and 2015, respectively.

The future scheduled payments on the long-term debt are as follows:

Years ending December 31,	Amount
2017	\$ 103,895
2018	103,895
2019	103,895
2020	103,895
2021	103,895
Thereafter	2,320,332
Total	2,839,807
Amount representing interest	(906,448)
Total long-term debt	\$ 1,933,359

NOTE 13 – RELATED PARTY TRANSACTIONS

A number of members of the board of directors made contributions to support the Organization's youth development program and capital campaign. Contributions received in 2016 and 2015 amounted to approximately \$275,827 and \$119,100, respectively.

NOTE 14 – LINE OF CREDIT

On September 16, 2013, the Organization obtained an additional line of credit with Bank of Marin, which provides for borrowings of up to \$100,000. The interest rate on the line is based on the prime rate as published by the Wall Street Journal (3.75% and 3.50% at December 31, 2016 and 2015, respectively) plus 0.50% and is payable monthly. The Organization decided not to renew this line of credit on October 1, 2015 and there were no advances or repayments during 2015. There were no outstanding balances on the line of credit at December 31, 2016 and 2015.

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NOTE 15 – TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets consisted of the following at December 31:

	2016	2015
Youth programs – training	\$ 137,500	\$ 282,500
Threshold campaign	67,500	283,500
Strategic planning	20,000	-
	\$ 225,000	\$ 566,000
Total		

Temporarily restricted net assets were released from donor restrictions by incurring expenses satisfying the purposes specified by donors as follows at December 31:

	2016	2015
Youth programs – training	\$ 145,000	\$ 382,500
Threshold campaign	283,500	523,245
Strategic planning	-	30,000
E-Commerce Website Development	-	54,000
	\$ 428,500	\$ 989,745
Total		

NOTE 16 – INCOME TAXES

New Door Ventures was incorporated under the laws of the State of California and granted tax-exempt status by the Internal Revenue Service under Section 501(c)(3) and by the California Franchise Tax Board under Section 23701(d) of the California Revenue and Taxation Code. New Door Ventures is generally no longer subject to tax examinations relating to federal and state tax returns for years prior to 2011.

New Door Ventures has been classified as an organization that is not a private foundation under Section 509(a)(1) and has been designated as a “publicly supported” organization under Section 170(b)(1)(A)(vi) of the Code.

New Door Ventures assesses its accounting for uncertainty in income taxes recognized in its Financial Statements and prescribes a threshold of “more likely than not” for recognition and derecognition of tax positions taken or expected to be taken in the tax returns. There was no material impact on the Financial Statements as a result of the adoption of this policy.

NOTE 17 – SUBSEQUENT EVENTS

The Organization evaluated subsequent events for recognition and disclosure through June 13, 2017, the date which these financial statements were available to be issued. Management concluded that no material subsequent events have occurred since December 31, 2016 that required recognition or disclosure in the financial statements, except as disclosed in Note 10.